

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Approval of Minutes of the June 6, 2001
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: July 11, 2001

INFORMATION: _____

PRESENTER(S): Chairperson

Proposed minutes of the Investment Committee meeting held in open session June 6, 2001 are submitted as Attachment 1.

**PROPOSED
MINUTES OF THE
INVESTMENT COMMITTEE MEETING
OF THE
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
JUNE 6, 2001
OPEN SESSION
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

COMMITTEE MEMBERS PRESENT

Gary Lynes, Chairperson
Paul Krasnow
Marty Mathiesen
Karen Russell
Carolyn Widener
Annette Porini, representing State Director of Finance
Tim Gage
Walter Barnes, representing State Controller
Kathleen Connell
Curt Robinson, representing State Superintendent of Public Instruction
Delaine Eastin
Jennifer DuCray-Morrill, representing State Treasurer
Philip Angelides

OTHER BOARD MEMBERS OR REPRESENTATIVES PRESENT

Chris Solich

STAFF PRESENT

James Mosman, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Chris Waddell, Chief Counsel
Elleen Okada, Director of Investment Administration and External Relations
Ed Derman, DCEO, External Affairs and Program Development
Doug Wills, Staff Counsel
Michelle Cunningham, Director of Fixed Income
Mike DiRe, Director of Real Estate
Steven Tong, Director of Internal Equities
Richard Rose, Principal Investment Officer
Janice Hester Amey, Principal Investment Officer
Glenn Hosokawa, Investment Officer
Trish Taniguchi, Investment Officer
Jim Hurley, Investment Officer
Robert Woods, Investment Officer
Joe DeLuca, Investment Officer
Mary Ann Avansino, Administrative Assistant

OTHERS PRESENT

Allan Emkin, Pension Consulting Alliance
Nori Gerardo Lietz, Pension Consulting Alliance
Al Clerc, Pathway Capital Management
Doug Le Bon, Pathway Capital Management
Mark Johnson, Milliman & Robertson
Beverly Carlson, CTA
Edna White, CRTA
Dorothy Moser, CTA, Retired
Don Douglas, CTA, Retired
Loretta Toggenburger, UTLA-Retired
Bill Collins, CTA
Mike Green, CTA

A quorum being present, Chairperson Lynes called the open session meeting to order at 9:40 a.m.

I. ANNOUNCEMENTS (Item 2)

There were no announcements.

II. APPROVAL OF MINUTES OF THE MAY 2, 2001 INVESTMENT COMMITTEE, OPEN SESSION (Item 3)

MOTION duly made by Mr. Mathiesen, seconded by Ms. Russell and carried to approve the minutes of the May 2, 2001, Investment Committee, Open Session as presented.

III. REPORT OF THE SUBCOMMITTEE ON CORPORATE GOVERNANCE (Item 4)

Ms. DuCray-Morrill reported that the Subcommittee received reports on the search for securities litigation evaluation counsel and the workplan.

IV. LEGISLATION (Item 5)

Mr. Derman reported that the resolution to increase home loan limits was approved by the Senate and would now move to the Assembly.

V. GENERAL – INVESTMENT EDUCATION PROGRAM PRIVATE EQUITY/REAL ESTATE (Item 6)

Mr. Ailman introduced the educational topics for discussion.

Mr. Rose, Ms. Taniguchi, and Mr. Clerc presented an informational overview of the alternative investment asset class. They discussed investment vehicles, strategies, secondary interests, risk management, benchmarking, market changes, and CalSTRS historical philosophy and portfolio structure. Discussion ensued.

Chairperson Lynes recessed the meeting at 10:15 a.m.
The meeting reconvened at 10:25 a.m.

Mr. DiRe and Ms. Gerardo Lietz presented an informational overview of the real estate asset class. They discussed the rationale for holding real estate, aspects of institutional real estate holdings, the market, risk and return expectations, and CalSTRS portfolio. Discussion ensued.

Chairperson Lynes recessed the meeting at 11:15 a.m.
The meeting reconvened at 11:25 a.m.

VI. **DISCUSSION AND REVIEW OF THE CALSTRS INVESTMENT OBJECTIVES** (Item 7)

Mr. Ailman discussed proposed changes to the Investment Objectives within the CalSTRS Investment Policy, formerly known as the Investment Management Plan, which will be adopted at the July meeting. Discussion ensued regarding prioritization of the Objectives.

VII. **GENERAL – ASSET ALLOCATION/ACTUARY DISCUSSION** (Item 8)

Mr. Ailman, Mr. Emkin, and Mr. Johnson presented information on factors affecting asset allocation in preparation for completion of a new asset allocation plan later in the year. Mr. Johnson reviewed historical and current cash flows, and the historical and future funding ratio. Mr. Emkin reviewed the role and risk involved in each asset class. Discussion ensued.

Chairperson Lynes recessed the meeting at 12:35 p.m.
The meeting reconvened at 1:20 p.m.

VIII. **FIXED INCOME – HOME LOAN PROGRAM ANNUAL REPORT** (Item 9)

Ms. Cunningham, Mr. Woods, and Mr. DeLuca presented the annual report on the Home Loan Program highlighting the revitalization of the program, current loan products, exit strategies, and performance measurement. Discussion ensued.

IX. **FIXED INCOME – CURRENCY HEDGING PROGRAM ANNUAL REPORT** (Item 10)

Ms. Cunningham and Mr. Hosokawa presented the annual report for the Currency Hedging Program. They discussed program objectives, currency management alternatives, and CalSTRS Currency Hedging Program and performance.

X. **CREDIT ENHANCEMENT PROGRAM – ACTIVITY STATUS REPORT** (Item 11)

Mr. Rose presented the written report.

XI. **REAL ESTATE – ACTIVITY STATUS REPORT** (Item 12)

Mr. Hurley reported that an acquisition of an office Building, Reflections II, had closed.

XII. **ALTERNATIVE INVESTMENTS - ACTIVITY STATUS REPORT** (Item 13)

Mr. Rose reported that an investment of \$20 million had been made under delegation of authority to Force10 Networks, Inc.

XIII. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 14)

Mr. Ailman presented the written report and discussed the reconstitution of the Russell 3000 index.

XIV. **DRAFT AGENDA FOR JULY INVESTMENT COMMITTEE MEETING** (Item 15)

Mr. Ailman discussed the draft agenda for the July Investment Committee meeting. It was determined that item 9 should be moved to action.

XV. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 16)

There were no statements from the public.

XVI. **MOVE TO CLOSED SESSION**

Chairperson Lynes recessed the meeting at 2:33 p.m. and reconvened into closed session.

XVII. **ADJOURNMENT**

Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 3:05 p.m.

James D. Mosman, Chief Executive Officer and Secretary to the
Teachers' Retirement Board

Gary Lynes, Chairperson